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BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION, FOR A
DETERMINATION OF THE FAIR VALUE
OF ITS UTILITY PLANT AND PROPERTY
AND FOR ADJUSTMENTS TO ITS RATES
AND CHARGES FOR UTILITY SERVICE
FURNISHED BY ITS EASTERN GROUP
AND FOR CERTAIN RELATED
APPROVALS

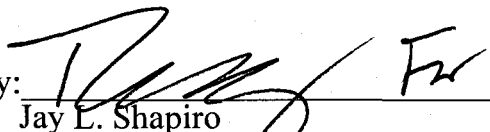
DOCKET NO. W-01445A-11-0310

**NOTICE OF FILING DIRECT
TESTIMONY**

Rio Rico Utilities, Inc. hereby submits this Notice of Filing Direct Testimony in the above-referenced matter. Specifically filed herewith is the Direct Testimony of Greg Sorensen.

RESPECTFULLY SUBMITTED this 2nd day of April, 2013.

FENNEMORE CRAIG, P.C.

By: 
Jay L. Shapiro
Attorneys for Rio Rico Utilities, Inc.

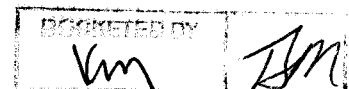
ORIGINAL and 13 copies filed
this 2nd day of April, 2013 with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Arizona Corporation Commission

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APR 8 2013



1 **COPY** hand-delivered
2 this 2nd day of April, 2013 to:

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14 AND FOR ADJUSTMENTS TO ITS RATES
15 AND CHARGES FOR UTILITY SERVICE
16 FURNISHED BY ITS EASTERN GROUP
17 AND FOR CERTAIN RELATED
18 APPROVALS

DOCKET NO. W-01445A-11-0310

19 **DIRECT TESTIMONY OF**

20 **GREG SORENSEN**

21 **April 2, 2013**

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II. APPROVAL OF THE SIB SETTLEMENT IS IN THE PUBLIC INTEREST2

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1 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Greg Sorensen. My business address is 12725 W. Indian School Road,
4 Suite D-101, Avondale, AZ 85392.

5 **Q. BY WHOM ARE YOU EMPLOYED?**

6 A. I am employed by Liberty Utilities as Vice President and General Manager.

7 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

8 A. On behalf of the Intervenor Rio Rico Utilities, Inc. dba Liberty Utilities ("Liberty
9 Utilities").

10 **Q. PLEASE DESCRIBE LIBERTY UTILITIES AND YOUR ROLE AS VICE
11 PRESIDENT.**

12 A. Liberty Utilities is the Algonquin Power and Utilities Corporation subsidiary that
13 owns and operates water, wastewater, gas and electric utilities in Arizona,
14 Arkansas, California, New Hampshire, Georgia, Missouri, Illinois, Texas and Iowa
15 (www.libertyutilities.com). I am currently responsible for Liberty Utilities' water
16 and wastewater operations in Texas, Missouri, Illinois, and Arizona.

17 In Arizona, I am responsible for the daily operations and administration of
18 all the utilities, including Rio Rico Utilities, for the financial and operating results
19 for each utility, for capital and operating cost budgeting, for rate case planning and
20 oversight, and rate setting policies and procedures as they relate to the operations
21 under my responsibility. I also oversee customer and development services, human
22 resources, engineering and conservation planning.

23 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

24 A. Yes, I have testified in Commission proceedings for all of Liberty Utilities'
25 affiliate entities, including several rate cases.

26

1 Q. WHAT IS THE PURPOSE OF THIS TESTIMONY?

2 A. To support the adoption of a DSIC-like mechanism for Arizona Water Company
3 that can then be used as a model or template for other Arizona public service
4 corporations such as RRUI and its affiliates.

5 II. APPROVAL OF THE SIB SETTLEMENT IS IN THE PUBLIC INTEREST

6 Q. WHY DID LIBERTY UTILITIES PARTICIPATE IN THE PHASE 2 OF
7 THIS DOCKET?

8 A. Liberty Utilities intervened in Phase 2 of this docket after the Commission
9 approved an amendment asking parties to consider a DSIC-like mechanism. We
10 felt then and still feel that this effort should result in a model that can be used in
11 our industry.

12 Q. DID LIBERTY PARTICIPATE IN THE SETTLEMENT NEGOTIATIONS?

13 A. Yes, I directly participated along with Christopher D. Krygier, Liberty's Utility
14 Rates and Regulatory Manager.

15 Q. DID LIBERTY SIGN THE SETTLEMENT AGREEMENT?

16 A. Yes, after significant give and take by all parties involved, Liberty Utilities
17 believes that the DSIC-like mechanism, now known as a System Improvement
18 Benefits Mechanism ("SIB"), represents a reasonable tool to start working towards
19 rate gradualism in customer rates. As such, we signed the settlement agreement.

20 Q. WHY IS THE AGREEMENT IN THE PUBLIC INTEREST?

21 A. The SIB is a regulatory tool that will promote rate gradualism, a critical long-term
22 goal of the Commission. Under the current regulatory framework, water and
23 wastewater utilities investment tends to be lumpy or irregular, generally leading to
24 requests for large rate increases. With the SIB, water and wastewater utilities can
25 start gradually increasing rates over smaller increments, much more in line with
26 customer's own economic realities.

1 Q. WHAT BENEFITS DO CUSTOMERS RECEIVE BESIDES SMALLER
2 RATE INCREASES?

3 A. The SIB includes a tremendous customer benefit, a 5 percent revenue requirement
4 reduction or the equivalent of a one hundred basis point lowering of their return on
5 equity for SIB eligible plant. To our knowledge, this is the most significant
6 customer benefit of any similar mechanism in the country.

7 Q. SO THE REDUCTION IS ONLY ON SIB ELIGIBLE PLANT?

8 A. Yes, our understanding when joining in the settlement agreement was that there are
9 to be no future reductions to a utility company's authorized return on equity
10 because of the SIB. It is with this understanding that Liberty Utilities is able to
11 view this as a critical step down the road to key policy reforms that benefit
12 customers, the Commission and utility companies.

13 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

14 A. Yes.
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